

# Police and Fire Pension

## City of Lincoln, Nebraska

555 South 10<sup>th</sup> Street, Room 201, Lincoln, Nebraska 68508

### **Dear Police and Fire Pension Member:**

Enclosed is a MILITARY LEAVE MEMO, your calendar year **2002** pension statement, an estimate of your normal age and service retirement benefits, and a Summary Annual Report. The pension statement shows your account's activity and your primary and secondary beneficiaries. If none are listed, your spouse is automatically your primary beneficiary. *Please call 441-8749 to request a beneficiary form if you would like to change or add a beneficiary.*

The benefit estimate assumes a 4% annual salary increase and a 7.5% annual return rate on assets. To help you in financial planning, benefit estimates for any future separation date are available at no charge (call 441-8749).

Below are calendar year end figures on members and benefit payments.

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Active Member Count</b>	590	545	565	580	540
<b>DROP Member Count</b>	N/A	N/A	N/A	27	52
<b>Pensioned Member Count</b>	272	293	300	303	308
<b>Regular Pension Benefits</b>	\$3,228,499	\$3,519,095	\$3,762,074	\$3,880,513	\$4,292,587
<b>COLA Benefits</b>	\$205,246	\$214,286	\$235,834	\$244,212	\$253,696
<b>DROP Benefits</b>	N/A	N/A	N/A	\$2,498,658	\$2,428,140

### **DROP**

On October 1<sup>st</sup> 2001 the pension implemented a Deferred Retirement Option Plan, or DROP. To be eligible for DROP a member must be eligible for normal age and service retirement. This is age 50 and 25 years of service for Plan A members, or age 53 and 21 years of service for Plan B and C members. DROP allows a member to retire for pension purposes, but to continue working. The member receives a check from his or her work, and the member's monthly pension benefit would be deposited into the member's DROP account. Members of Plan B or C could also chose to have his or her accumulated pension contributions and interest deposited into his or her DROP account. The member chooses how to invest the money in his or her DROP account from a menu of choices. Members can monitor and make changes to their account using a secured site on the internet.

The member may exit DROP at any time, but after five years of participation the member must exit DROP and "retire-in-fact." When the member retires-in-fact his or her monthly pension benefit will be paid directly to them and they will have access to the money in their DROP account.

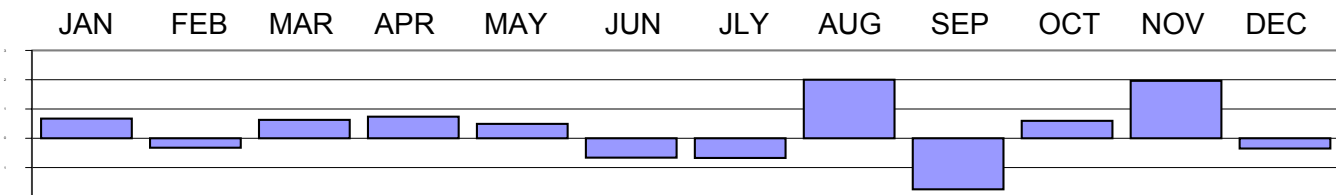
The DROP is working well and has been well received. Currently fifty-two members are participating in the DROP.

## Switch

In combination with implementing DROP the pension offered an opportunity for Plan B and C members to switch to Plan A until March 31, 2002. The cost to switch to Plan A was the difference in contribution between an 8% contribution and the member's actual contributions retroactive from April 1, 1995 to the date they decided to switch to Plan A. Fifty-nine members switched to Plan A.

## Assets

The compounded return for calendar year 2002 was 3.2995%. Below is a graph of the monthly returns. Each horizontal line represents 1%.



Below is a chart of equity and bond returns. Equities are in managed funds. They are diversified globally, by company size, investment style (growth and value), product/services sector, and invested in indexed and actively managed funds.

Year Ending	Equity Return	Bond Return	Portfolio Return	Ending Equity Allocation
2002	-16.18%	12.35%	3.2995%	30.12%
2001	-11.57%	8.99%	3.1487%	27.54%
2000	-10.11%	17.58%	11.1300%	23.53%
1999	30.52%	-8.68%	-4.1920%	18.95%
1998	20.25%	12.39%	13.1700%	10.64%

The pension fund is in excellent financial health. Continued health depends on both asset returns and City contributions. For Fiscal Year (FY) 2001-02 we requested a \$1.2 million increase and received a \$250,000 increase, for a budgeted total of \$1,410,012. For FY 2002-03 we requested a \$1.4 million increase and received a \$250,000 increase. The FY 2002-03 budgeted City contribution is \$1,665,938.

For Fiscal Year 2003-04 I have asked the budget office to contribute \$3.3 million. Below is the five year budget request.

Fiscal Year	Requested City Contribution (in millions)
2003-04	\$3.3
2004-05	\$3.1
2005-06	\$3.3
2006-07	\$3.4
2007-08	\$3.6

### **Check out the Pension's Web Site.**

The pension has a home page on the City Internet site under the Personnel Department. You can go to it directly by entering \_\_\_\_\_ in your browser software. Once there you can view:

- Plan A, B, and C General Benefit Brochures, DROP Brochures, and applicable Lincoln Municipal Codes.

- Minutes of past Advisory Committee meetings.

- Prior Annual Letters to Members (like this letter)

- Retirement Planning Links

- Roth IRA Component (of the Payroll Deduction Investment Plan)

### **Please plan for your financial future.**

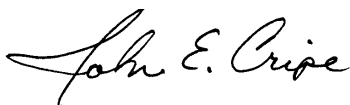
The City of Lincoln offers payroll deduction savings programs for U.S. Savings Bonds, 1<sup>st</sup> Choice Credit Union, Deferred Compensation, College Savings Plan, Mutual Funds and the Roth IRA.

Deferred Compensation is a program that allows you to save and invest for your retirement. In 2003 you may defer up to \$12,000 of your income. If you are over age 50 you may contribute an additional \$2,000 for a total of \$14,000 in 2003. Contributions are deducted from each pay check. You may increase, decrease, stop, and re-start contributions as often as you wish. Federal and state taxes are deferred until your assets are withdrawn. Assets can be withdrawn if you leave City employment, or at retirement. You may choose one of two providers, Ameritas or ICMA. Both offer many investment choices including stock, bond, and guaranteed funds. Both offer telephone and internet services so you can direct the investment of your assets.

The Roth IRA is also a program for retirement savings. In 2003 you may invest up to \$3,000 of your income. If you are over age 50, you can invest \$3,500. (You must earn less than \$110,000 if single or \$160,000 if married and filing jointly). Earnings are completely tax free if withdrawn after five years due to attaining age 59 ½, death, disability, a first time home purchase (Max. of \$10,000) or for college expenses.

Please call me (441-7879) or Paul Lutomski (441-8749) for more information on any of the topics mentioned in this letter or for any of your pension needs.

Respectfully,



John E. Cripe  
Compensation Manager